The Political Economy of Deposit Insurance

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Abstract: We use a political economy framework to study differences in the support for explicit deposit insurance across countries. Overall, we find mixed evidence of the significance of the public and private interest theories in explaining adoption and coverage of deposit insurance. While the negative relationship between the strength of small banks in the country and the probability of adoption of deposit insurance is consistent with the public interest view, the negative relationship between the protection of creditor rights and the probability of adoption is consistent with the private interest view. Also, the result that inflation and per capita income are negatively related to the level of coverage provides support for the private interest view. Hence, the results suggests that both public and private interest theories are important in understanding cross-country differences in the support for explicit deposit insurance.

Keywords: Deposit Insurance, Political Economy

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1. Introduction

Since 1934, the year when the U.S. introduced deposit insurance, a large number of countries has followed the U.S example and adopted deposit insurance, with a strong surge in recent years among developing countries. Yet, a large number of countries has thus far not decided to adopt deposit insurance, and deposit insurance schemes vary significantly from country to country in coverage and safety guards.

The adoption of deposit insurance seems to be very much an area of which our understanding could greatly benefit from the use of a political economy approach, because the process underlying the decision to adopt or not is a complex interplay of various political constituencies with often times conflicting interests. Deposit insurance not only affects depositors and banks, but also banks' other stakeholders, such as shareholders, creditors, the deposit insurance agency, the government, and tax payers. Not only will interests differ among these different groups of stakeholders. Interests may also differ within these groups. For example, not all depositors will share the same interest in deposit insurance. If coverage is limited, large depositors' interest in deposit insurance may be more limited than the interest of small depositors. Similarly, if deposit insurance is not risk-sensitive, banks that perceive themselves to be of below average risk may be less interested in the adoption of deposit insurance than risky banks.

The political motives for the implementation of deposit insurance typically include the provision of protection for small depositors and the enhancement of public confidence and systemic financial stability. These goals come at large costs, both direct costs in the form of a tax and indirect costs due to increased moral hazard behavior of banks. As a result, deposit insurance will typically be favored by "weak parties", i.e.

small depositors and weak banks. It is therefore expected that deposit insurance will be supported by left-wing constituencies, that vote on behalf of the "weaker" parts of society.

This paper will study how cross-country differences in political, regulatory, and legal setup affect the outcome of deposit insurance adoption and the design of deposit insurance. In terms of design outcomes, we focus on the degree of deposit insurance coverage, measured in terms of coverage limits per depositor expressed as a share of per capita income. We find that the main determinants of whether a country adopts deposit insurance or not are related to the structure of the country's banking system, its wealth distribution and ideological variables. In particular, we find that deposit insurance is more likely to be introduced in countries where large banks dominate the market, in countries where elderly people constitute a larger share of the population, and in countries with better protection of creditor rights. Once we control for the determinants of the outcome of adoption, these variables do not have much power in explaining the observed variation among countries in coverage levels of deposit insurance. We find that coverage tends to be somewhat lower in countries with better protection of creditor rights, and in countries with higher inflation rates and a lower level of overall economic development.

The paper proceeds as follows. Section 2 reviews some of the related literature. In section 3, we outline hypotheses about the factors that affect the support for the adoption of deposit insurance. In this section, we also present the data and the variable definitions. Section 4 presents the empirical model and results. Section 5 concludes.

2. Related Literature

Deposit insurance was first introduced at a national level in the United States in 1934, in reaction to loss of public confidence during the Great Depression of 1930-33. Although the majority of U.S. Congress did not subscribe to the idea of deposit insurance until the crisis in 1933, the political change that led to the adoption of deposit insurance was the result of widespread losses suffered by depositors.

The passage of deposit insurance in the United States is an informative episode about the political economy of deposit insurance reforms. Calomiris and White (1994) argue that the smaller and weaker unit banks in the United States had long supported deposit insurance, and that they would have never been able to successfully lobby for the introduction of deposit insurance against the opposition of the politically more powerful, stronger and larger urban branching banks had the Great Depression not occurred and eroded public confidence in the banking system as a whole.

Kane and Wilson (1998), on the other hand, show that large bank's share prices benefited most from the introduction of deposit insurance. They argue that the broadening shareholder distribution of large banks during the late 1920s had undermined monitoring incentives by large-bank shareholders, and that deposit insurance restored depositor confidence by enhancing the monitoring of banks by the government.

With deposit insurance in place, the smaller and weakest banks continuously pressed for increases in the coverage. Prompted by increased competition from the emerging credit union and thrift industries, coverage levels were raised at various moments during the post-Depression period and deposit insurance was spread to all U.S. deposit-taking institutions (White 1998).

Before the introduction of nationwide deposit insurance in the U.S. in 1934, several states had already established depositor protection schemes. White (1981) shows that the main factor influencing the adoption of deposit insurance by a state was the structure of its banking industry. In states where small unit banks were dominant, there was stronger support for deposit insurance, than in states with large banks.

The U.S. experience may be somewhat unique because of the existence of state-level differences in banking structures resulting from differences in state-level regulation regarding bank branching restrictions. Some states allowed branch banking, while others preferred unit banking. As a result, certain states had a much larger proportion of small banks. However, the U.S. experience does show that support for deposit insurance will depend on the banking structure of the country and will be greater in banking systems where weak institutions hold a large portion of the market. Whether small banks are perceived to be riskier than large banks or not will depend on country circumstances. The U.S. experience also shows that policymakers may become more favorable to the adoption of deposit insurance in the wake of a financial crisis, when there is a widespread loss of public confidence in the banking system and weak banks will be able to gain considerable interest.

In Canada, where compulsory deposit insurance was introduced in 1967, the adoption of deposit insurance was also in reaction to a loss in confidence in the sound practice of deposit-taking institutions, despite the protests of Canada's large banks, who did not want to cross-subsidize their smaller rivals, including the Alberta banks, which were perceived to be more risky. In 1985, two banks in Alberta failed, confirming the concerns raised earlier by the country's major banks, resulting in a depletion of the

deposit insurance fund and a bailout of the failed banks at a huge cost to the taxpayer (see Giammarino, Schwartz and Zechner (1989) for estimates of degree of cross-subsidization taking place among Canadian commercial banks during the period 1980-1985 as a result of flat-rate deposit insurance premiums).

The U.S. and Canadian experience suggest that international differences as to the setup of deposit insurance may be best explained when applying a political economy framework. Economists have broadly taken two alternative approaches to analyze policy outcomes: the public interest view and the private interest view (see Kroszner and Strahan (2001) for a more detailed discussion). The public interest theory of regulation argues that regulatory intervention occurs in the interest of the public at large (Joskow and Noll 1981). The public interest rationales for deposit insurance include the protection of small, uninformed depositors and the stability of the banking system (Diamond and Dybvig 1983). The private interest theory of regulation characterizes the regulatory process as one of interest group competition in which well-organized or powerful groups exert pressure on politicians and regulators for regulatory intervention that would allow those groups to capture rents at the expense of more dispersed groups (Stigler 1971, Peltzman 1976 and 1989, and Becker 1983). In the financial services industry, competition among organized interests is particularly typical, as financial institutions pressure politicians for regulations that increase their franchise values (Kroszner and Stratmann 1998). According to the private interest view, deposit insurance is most likely favored by the riskier banks, because they would receive a net subsidy at the expense of the safer banks in the presence of explicit deposit insurance. Lobbying for deposit

insurance in the U.S. historically has been consistent with this pattern of relative benefits (Kroszner 1997).

A key challenge to the public interest theory is that many forms of regulation are difficult to understand from a welfare-maximizing point of view. Deposit insurance systems that exacerbate moral hazard problems are generally difficult to rationalize on public interest grounds. A public interest argument often is used to mask the private interests that the intervention serves. Private interests may try to confuse the public debate by providing false or misleading information to make it difficult to discern whether policy would improve social welfare (Kane 1996).

Other approaches to analyze political outcomes emphasize the importance of beliefs and ideology (Poole and Rosenthal 1997) and the institutional arrangements of the decision-making process (North 1990). While these approaches are not mutually exclusive, they emphasize different aspects of the interaction between economics and politics. Each captures an important element in the process, and our empirical work will try to assess their relative importance.

Although such political economy tools have since long been applied to the field of economics (for example, Krueger (1974) describes economies as rent-seeking societies and applies private interest theories to the area of trade; see Persson and Tabellini (2000) for an overview), only recently have such tools been applied to topics in the field of finance (see Pagon and Volpin 2001a for an overview). For example, Kroszner and Stratmann (1998) and Kroszner and Strahan (2001) have applied interest group theories to banking, and Pagano and Volpin (2001b) to corporate governance. To our knowledge,

our paper is the first to apply such tools to the area of deposit insurance in an international context.

Our paper is related to work by Kroszner and Strahan (2001), who study whether interest group theories can explain the voting outcomes in the U.S. House of Representatives on the Wylie Amendment on the limitation of deposit insurance to a single account per bank. They find that limits to deposit insurance tended to be opposed to by U.S. states where small banks have a large share of the market and by states with a large proportion of older people. The amendment was favored by states where banks can sell insurance products and where the insurance industry is relatively larger. Political-institutional variables, such as political party structure and ideology, on the other hand, did not explain much of the variation beyond these private interest variables.

In explaining cross-country variation in preferences regarding deposit insurance, institutional factors seem to be particularly important. Previous research has shown that the moral hazard problems associated with deposit insurance tend to exacerbate in countries with weak institutional environments (Demirgüç-Kunt and Kane 2002), while the detrimental impact of explicit deposit insurance is largely offset in countries with strong institutional environments (Hovakimian, Kane and Laeven 2003). The public interest theory would therefore argue that deposit insurance should not be introduced in countries with weak institutional arrangements, as the resulting risk-shifting behavior of banks is not in the public interest. At the same time, such environments may be more prone to bribery and lobbying by private interest parties, suggesting that deposit insurance may have a good chance of being introduced in such countries, consistent with the private interest view.

Political economy tools may also help improve our understanding of why most countries decide to underprice deposit insurance. In countries with explicit deposit insurance, deposit insurance is underpriced if the deposit insurer actually charges less for its services than the estimated opportunity-cost value of these services. In other words, underpricing of deposit insurance services is a sign that banks extract deposit-insurance subsidies. Since large banks typically do not consider deposit insurance to be in their interest, they will (typically successfully) lobby for low premiums. Under flat-rate deposit insurance, which is the norm in most countries, premium rates will often be set such that they are affordable for the smaller banks and acceptable for the larger banks. As a result, deposit premiums will of be set below the actuarially "fair" value of deposit insurance, and deposit insurance will be subsidized. A large literature has compared actual premiums with estimated actuarially fair values, mostly based on the option pricing model introduced by Merton (1977) and adapted by Ronn and Verma (1986), and has found existing deposit insurance programs to be underpriced in most countries (see Laeven (2002) for an overview of this literature).

3. Data and Hypotheses

Our empirical work focuses on the adoption and coverage of deposit insurance. In this section we will describe the sources of the data, the variable definitions, and the factors that may drive the political outcome on the introduction and coverage of deposit insurance. Some of the variables we consider will help us to distinguish between a public and private interest approach, while others will be consistent with both approaches. The political-institutional factors are included to measure their effect relative to the proxies

for the other forces. Our hypotheses will relate support for deposit insurance across the countries to the proxies we describe below. Most of these measures are similar to the ones suggested by Kroszner and Strahan (2001) in their study on the determinants of political support for amendment of the coverage of deposit insurance in the United States, and we will follow their approach as closely as possible to enhance comparability of their results with those presented in our paper. Naturally, the proxies used and obtained results may differ, because they use U.S. data only, while we use international data.

First, we control for structural differences within the banking industry. The private interest theory emphasizes how different interest groups can provide funds and votes to politicians who, in turn, control the regulatory decision to adopt deposit insurance. The private interest view thus predicts that adoption of explicit deposit insurance and support for high coverage levels is more likely in countries where the strength of risky banks relative to that of safe banks is greater. The public interest theory, however, would imply that adoption of deposit insurance and support for high coverage are less likely in countries where the share of risky banks is large because the social costs of deposit insurance is directly related to the size of the protected groups of risky banks. The social costs of (extensive) deposit insurance include deadweight losses associated with reduced competition and increased moral hazard relative to banking without (extensive) deposit insurance (Kroszner and Strahan 2001).

In the U.S., small banks have lobbied to introduce and raise the coverage of deposit insurance since its adoption in 1934, because these policies protect them from competition from larger and more efficient banks (White 1993 and Calomiris and White 1994). However, whether small banks are riskier than large banks depends on country

circumstances. In many countries, the largest banks are state-owned and perceived to be riskier than the smaller, private banks in the country. Also, private monitoring incentives of large, private banks may be negatively affected by the fact that these banks tend to have a more dispersed ownership, and as a result these banks may take more risk (Kane and Wilson 1998).

Our proxy for the strength of the small banks is the fraction of banking assets in the country in small banks. We refer to this variable as SMLBNK. We define banks as small if they have assets below the median size in each country. By allowing the definition of small to vary across countries, we take into account cross-state heterogeneity in the size of banks.

We also include a variable CAPITAL that is the median capital-asset ratio for all banks operating in a country. Well-capitalized banks may be more likely to oppose deposit insurance than poorly capitalized banks as they are perceived to be less risky. Under the public interest theory, politicians in countries with poorly capitalized banks are more likely to oppose deposit insurance, as the risk of bank failure and bailout increases. If it is the small banks that are poorly capitalized, the private interest theory would suggest that politicians would also favor no deposit insurance, because they will support the large and less risky banks from which the political contributions will be more certain. This measure may therefore not help to differentiate between the public and private interest theories. Data on bank size and capital are from BANKSCOPE, which is a commercial database provided by Bureau Van Dijk containing financial statements of international banks.

We also control for the effect of bank ownership. The degree of state ownership is measured by the variable GOVTOWN which is the percentage of banking system's assets in banks that are 50 percent or more government owned, and the degree of foreign ownership is measured by the variable FOREIGN which is the percentage of banking system's assets in banks that are 50 percent or more foreign owned. Data on bank ownership comes from Barth, Caprio and Levine (2001). Foreign-owned banks are typically perceived to be more efficient and less risky than domestic banks, while government-owned banks represent the opposite spectrum. Under the public interest theory, politicians in countries with more state ownership (less foreign ownership) of banks are more likely to oppose (favor) deposit insurance, as the risk of bank failure and bailout increases. State banks typically are a powerful lobby given their size and links to the government. Foreign banks, on the other hand, are typically small and are less intertwined with local politics. The private interest theory would therefore predict that countries with a larger degree of state ownership (smaller degree of foreign ownership) of banks are more likely (less likely) to adopt deposit insurance.

Second, we control for the ability of banks to engage in insurance-related activities. Although insurance companies are not directly subject to deposit insurance regulation, they are indirectly affected if banks can sell insurance products because they produce substitute products that directly compete with the regulated banking industry. A number of countries permit commercial banks to sell insurance. In those countries, under the private interest theory, the insurance industry lobby would be particularly concerned about deposit insurance as it may give banks a competitive edge in the provision of certain financial services. Thus, the private interest theory predicts that opposition against

deposit insurance would tend to be much greater in countries where banks may sell insurance. Under the public interest theory, activity restrictions prevent the exploitation of scope economies and therefore have negative wealth effects. The public interest theory thus would predict that deposit insurance is unlikely to be introduced where banks can sell insurance. On the other hand, if it is in the public interest to protect the franchise value of banks from competing industries, we may find the opposite link. This could particularly be the case in countries with weak banking systems where competition is restricted in the interest of the public. To measure the effects of the rival insurance industry, we construct a dummy variable RESTRICT that is one if the country permits banks to sell insurance. Data to construct this variable comes from Barth, Caprio and Levine (2001).

Third, we control for differences in the preferences of bank borrowers. Small and medium-sized enterprises tend to be highly dependent on banks as a source of external finance. Deposit insurance, to the extent that it limits bank competition, may have a negative effect on the access to finance of small and medium-sized firms. Thus, the private interest theory suggests that voting in favor of deposit insurance is more likely among legislators from countries with less small and medium-size enterprises. This prediction is also consistent with the public interest theory, because the social costs of the deposit insurance are higher in countries with more small, bank-dependent firms. We measure the relative importance of small firms by the variable SMEOFF, which is the proportion of official small and medium-sized enterprises in the country. The data on the share of small and medium-sized firms come from Ayyagari, Beck, and Demirguc-Kunt (2003).

Fourth, we control for the effects of differences in demographics of the population. Since elderly people typically have more liquid assets than younger people and tend to mainly use bank deposits as a savings vehicle, the private interest theory suggests that legislators from states with more older people will be more likely to vote in favor of deposit insurance. As proxy for the importance of elderly constituents we use the variable POP65 which is the share of the total population in the country with age 65 and above. This data comes from the World Development Indicators of the World Bank.

Fifth, we control for the political-institutional side, which includes legislative structures, party politics, and ideology. Left-wing governments are typically perceived to support deposit insurance, as they support regulation in favor of weaker groups (including uninformed depositors and small firms). In addition, the voices of minorities are more likely to be heard in political systems that are less autocratic. As a result, countries with these political arrangements are more likely to support the adoption of deposit insurance as well as increases in the coverage of deposit insurance. While the views of the politicians may simply reflect the economic interests of the constituents in the country (see Peltzman 1984), we include two political variables to adjust for any independent influence of party politics. First, we construct a variable COALITION that takes value of one if the government of the country is a coalition government, and zero otherwise. Second, we construct a variable LEFTGOV that takes value of one if the largest government party has a left-wing orientation, and zero otherwise. The variables COALITION and LEFTGOV are averages for the years 1975-97 and are based on data collected by the World Bank. For more details on this database, see Beck et al. (2001). Unfortunately, unlike for example Kroszner and Strahan (2001) for the U.S., we do not

have cross-country data on political campaign contributions from interest groups. We can therefore not control for the effect that money contributions may have on the voting patterns of politicians.

Sixth, we control for the contracting environment in the country. Since moral hazard problems associated with deposit insurance tend to exacerbate in countries with weak contracting institutional environments (Demirgüç-Kunt and Kane 2002), the public interest view would argue that countries with poor contracting environments are less likely to adopt deposit insurance. On the other hand, countries with sound contracting environments may be able to offer (private-sector based) alternatives to public deposit insurance, in which case they are also less likely to adopt deposit insurance. To the extent that countries with poor contracting environments also have a larger number of weak banks, the private interest view suggests that these countries are more likely to adopt deposit insurance and increase coverage, as a result of the lobby of the constituents representing these weak banks. We use two variables to control for the contracting environment in the country. LEGAL is a dummy variable that takes value one if the origin of the law of the country is English. CRIGHTS is a measure of the degree of protection of creditor rights. Higher values indicate more protection. The index ranges from 0 to 4. Both measures come from La Porta, Lopez-de-Silanes, Shleifer and Vishny (1998). They show that these measures are positively associated with better contracting environments, LEGAL in general and CRIGHTS specifically to borrowers (including depositors).

Next, consider macroeconomic stability. Since deposit insurance could mitigate instability of the financial sector caused by macroeconomic uncertainty, a public interest

theory of regulation would predict that deposit insurance is more likely to be introduced in countries where the social benefits are greatest, namely, in countries where financial instability is greatest. This is consistent with the observation that deposit insurance is often introduced following a banking crisis. Alternatively, the private interest theory would argue that instability may reduce the incentives of banks to lobby for depositor protection because unstable banks are less likely to survive to reap the benefits of deposit insurance. To control for macroeconomic stability, we include the rate of inflation INFL, which is the change in the CPI index of the country. In the regressions, we use the logarithm of 1 plus this variable.

We also include a measure of education. The level of education is expected to negatively impact the probability of adoption of deposit insurance, as more educated citizens may be more informed about and may understand better the negative consequences of the moral hazard effects associated with deposit insurance. Our proxy for the level of education is SCHOOL which is the gross secondary school enrollment in the country as measured by the World Bank's World Development Indicators.

Finally, we control for the overall level of economic development. This measure is supposed to capture differences in the level of institutional development not captured by any of the preceding variables. On the one hand, the research summarized in Demirguc-Kunt and Kane (2002) would suggest that deposit insurance is more feasible in countries with better institutional environments, because good institutions may serve to mitigate the moral hazard effects of explicit deposit insurance. The public interest theory would thus suggest that deposit insurance is more likely to be adopted in countries with better institutional environments, and coverage is likely to be higher in such countries. To

the extent that such systems also bring about safe banks, the private demand for deposit insurance would be lower in these countries. The private interest view, thus, suggests that deposit insurance is less likely to be introduced in countries with a high level of economic development, and coverage in terms of per capita GDP will be lower in these countries. As measure of the overall level of economic development, we include per capita GDP in 1995, GDPCAP. This variable is expressed in 1995 US dollars. In the regressions, we use the logarithm of this variable.

Data on the existence and the design of explicit deposit insurance come from Garcia (2000), Demirgüç-Kunt and Sobaci (2001) and Laeven (2002). Since the data are missing for a number of countries that recently adopted deposit insurance and since the coverage data is outdated for a number of countries, we update and supplement the data for a number of countries using country sources (mainly from Central Banks and official deposit insurance agencies). Our analysis will use two variables. The first variable, DI, identifies whether explicit deposit insurance exists and takes value of one if the country has explicit deposit insurance at year-end 2000, and zero otherwise. The second variable, COVGDP, measures the extent of deposit insurance coverage and is calculated as the ratio of coverage limit per deposit to GDP per capita at year-end 2000. We express coverage limits in terms of per capita GDP to enhance comparability of coverage amounts across countries. Since the average deposit tends to be higher in richer countries, higher coverage limits are required in rich countries to offer the same amount of protection (in terms of share of total deposits) as in poor countries. In other words, higher limits are required in rich countries than in poor countries to cover the same share of deposits. Since the government typically intends to insure at least a certain share of total

deposits (or to cover the deposits of at least a certain share of the population), higher limits are required in rich countries than in poor countries to achieve this objective.

Our dataset is limited by the number of countries for which we have data on the existence and features of deposit insurance. We have such data for 112 countries. Our empirical results will be based on a sub-set of these countries, depending on the availability of data on the control variables, and on whether the regression is based on the sub-set of countries with explicit deposit insurance or on the total sample of countries. The data are shown in Annex 1. The table shows that of these 112 countries, 72 countries (or 64 percent) have adopted deposit insurance. To our knowledge, this represents the complete list of countries with explicit deposit insurance as of year-end 2000.

The sample statistics for all of the variables are reported in Table 1. Panel A reports means of each variable for the set of high income countries and the set of low income countries. The sample median level of income per capita is used to break down the sample in two equal groupings. Panel B reports sample means when splitting the sample on the basis of whether the country does or does not have explicit deposit insurance, while Panel C reports sample means when splitting the sample on the basis of the variable COVGDP, hence, on the basis of the coverage level.

The summary statistics show that explicit deposit insurance is more common among rich countries, but that coverage ratios tend to be smaller in rich countries. We also find that explicit deposit insurance is more common in countries with smaller market shares held by small banks, with fewer restrictions for banks to engage in insurance activities, with a larger share of population of 65 and above, without English legal origin, with a higher gross enrollment in secondary education, with fewer foreign ownership of

banks, and with weaker creditor rights. On the other hand, we find that if countries adopt deposit insurance, that coverage ratios tend to be lower in countries with coalition governments, with low capital-asset ratios of banks, with high share of population over 65, with high enrollment in secondary education, and with strong protection of creditor rights. Overall, we find that both the likelihood that deposit insurance is adopted and the coverage level once adopted are positively associated with the share of population over 65, the level of enrollment in secondary education and the absence of strong creditor rights. On the other hand, income per capita has opposite effects on the likelihood of deposit insurance adoption and the coverage ratio: although deposit insurance is more common in rich countries, coverage is lower in these countries.

4. Empirical Results

In order to determine the influence of the private interest and political-institutional factors described above on the adoption of deposit insurance, we use a Probit model. The dependent variable is DI, a dummy variable that equals one if the country has adopted explicit deposit insurance before year-end 2000, and zero otherwise. The results are presented in Table 2. The table reports the marginal effect of a small change in each variable from its mean on the probability that the country has adopted deposit insurance. For the dummy variables RESTRICT and LEGAL, the coefficient represents the change in the probability for a one unit change in the indicator.

We find that political-institutional variables, such as COALITION and LEFTGOV have little power in explaining variation in DI. Most of the variation in DI is explained by the variable POP65, our measure for the share of elderly constituents, which

is consistent with the private interest view. Elderly people are more likely to favor deposit insurance than younger people, because elderly people typically have more liquid assets than younger people and tend to use bank deposits as a savings vehicle.

We also find that the likelihood of adoption of explicit deposit insurance is negatively affected by the share of small banks in the banking system, SMLBNK. To the extent that small banks are riskier and less efficient than large banks, this result is consistent with the public interest theory, because the social costs of deposit insurance are likely to be higher in countries where the size of the protected sector, the riskier and smaller banks, is higher. In this case, the result is inconsistent with the private interest theory, which would suggest that deposit insurance is more likely to be introduced in countries where the strength of the smaller, riskier banks relative to that of the larger, safer banks is greater. However, if large banks support deposit insurance and are more powerful lobbying groups, the result would be consistent with the private interest theory. The effect of SMLBNK on DI is not affected when we control for capital-asset ratios. The marginal effect of higher capital-asset ratios on the probability of deposit insurance adoption is negative, although not statistically significant in all specifications.

In some specifications, we find that restrictions on insurance activities are negatively related to the probability of adoption of explicit deposit insurance. This result is inconsistent with the private interest theory, which would predict that opposition against deposit insurance would tend to be greater in countries where banks may sell insurance. The public interest theory can explain this result. If it is in the public interest to protect the franchise value of banks from competing industries, then the adoption of deposit insurance is more likely if there are no activity restrictions. In other words, the

presence of restrictions on insurance activities would reduce the probability of deposit insurance adoption.

We also find that the country's contracting environment affects the probability of deposit insurance adoption. We find that countries with English legal origin and with better creditor rights, as measured by the variable CRIGHTS, are less likely to adopt deposit insurance. The latter result is inconsistent with the public interest view. In countries with poor creditor rights, moral hazard problems associated with deposit insurance may be exacerbated, and it would therefore be in the public interest not to adopt deposit insurance. The result seems to be more consistent with the private interest view, which suggests that the constituents representing weak banks in countries with poor contracting environments are more likely to lobby for the adoption of deposit insurance.

Consistent with our priors, we find that the level of education is negatively related to the probability of adoption of deposit insurance. Countries with more educated citizens may be more likely to oppose deposit insurance, because these people are more informed about and understand better the negative consequences of the moral hazard effects associated with deposit insurance.

To determine the influence of the private interest and political-institutional factors described above on the level of deposit insurance coverage, we use a Heckman model. The dependent variable in the first-stage selection model is DI, and the dependent variable in the second-stage regression is COVGDP, the ratio of the level of deposit insurance per depositor to the level of per capita GDP. We employ a Heckman model to control for the potential sample selection bias, due to the fact that actual coverage levels

are only observed for countries that have adopted deposit insurance. The results are presented in Table 3.

Consistent with the private interest view, but inconsistent with the public interest view, we find some evidence that coverage levels are lower in countries with high inflation, suggesting that macroeconomic instability may reduce the incentives of banks to lobby for depositor protection because unstable banks are less likely to survive to reap the benefits of deposit insurance. We also find that coverage levels, even when expressed in terms of per capita income, are lower in richer countries. To the extent that more developed countries (as measured by income per capita) also bring about safer banks, this result is consistent with the private interest view, and inconsistent with the public interest view. Similarly, we find that coverage is lower in countries with better creditor rights. Again, to the extent that countries with stronger protection of creditor rights bring about safer banks, this result is consistent with the private interest view (and inconsistent with the public interest view), because the constituents representing safer banks in countries with strong contracting environments are less likely to lobby for the adoption of deposit insurance. Again, we do not find that the political-institutional variables COALITION and LEFTGOV have much power in explaining differences in coverage levels across countries. Overall, we find that it is much harder to explain variation in coverage than variation in adoption using the approach taken. The estimates for the inverse mill ratios suggest that there is no significant sample selection bias.

One potential criticism against our results is that countries have adopted at different times, but that the regressions are performed on a cross-sectional basis. Unfortunately, we do not have information for all control variables at the moment of

adoption of deposit insurance that would allow us to perform a panel data analysis. Also, such an analysis would be complicated by the fact that it is difficult to compare behavior of across time as circumstances have changed. Furthermore, countries have frequently amended their deposit insurance laws to, for example, change the coverage. Our analysis thus far, takes the view that countries at each moment of time can decide to either introduce explicit deposit insurance, to extend the deposit insurance contract, to abolish explicit deposit insurance, or not to adopt explicit deposit insurance. The assumption is that constituencies in each country reconsider and renegotiate the deposit insurance contract in countries that have already adopted deposit insurance.

To partially control for the fact that countries have adopted deposit insurance at different times, we construct a variable that measures the years that deposit insurance was in place, i.e., length of the deposit insurance contract. Since recent adoption of explicit deposit insurance may suggest that the majority of constituencies have opposed deposit insurance for many years, this measure could more precisely capture the degree to which explicit deposit has been favored by the political constituencies of the country. Since we have information about the year in which explicit deposit insurance was introduced initially, and since none of the countries in our sample abolished explicit deposit insurance, we can construct a measure of the length of the period during which explicit deposit insurance was in place. This variable is FRACTION, which is the fraction of the period 1934-2000 that the country has explicit deposit insurance. The variable takes values between 0 and 1, with the U.S. being the only country for which the variable takes value of one, since the U.S. was the first country to adopt explicit deposit insurance in 1934. For countries that had not adopted explicit deposit insurance as of end-year 2000,

the variable takes a value of zero. A higher value of the variable FRACTION suggests that political constituencies have favored deposit insurance more, at least for a more extended period. Annex 1 reports the variable AGE, which indicates the age of the explicit deposit insurance scheme in a country, and which is defined as 2000 minus the year in which explicit deposit insurance was first adopted in the country. As with other data on the design of explicit deposit insurance, the source of the variable AGE is Garcia (2000), Demirgüç-Kunt and Sobaci (2001) and Laeven (2002). The variable FRACTION equals AGE divided by 66 if AGE is greater than zero, and zero if AGE is missing.

Using the variable FRACTION as dependent variable, we run regressions similar to those reported in Table 2. Since the distribution of the variable FRACTION is left-censored at zero – the value of FRACTION for countries that have not (yet) adopted deposit insurance as of year-end 2000 is set to zero – the regressions are based on a Tobit model that assumes a left-censored dependent variable. The results of the Tobit regressions are presented in Table 4.

Again, we find that SMLBNK is negatively related to deposit insurance adoption, consistent with the public interest view, and that CRIGHTS is negatively related to deposit insurance adoption, consistent with the private interest view. However, we no longer find that the variables POP65, LEGAL, and SCHOOL significantly affect the desire for deposit insurance.

Many countries have only recently adopted deposit insurance. As additional robustness check, we exclude those countries that adopted explicit deposit insurance during the period 1998-2000, and reproduce Tables 2 and 3. Hence, we exclude countries for which AGE is smaller than or equal to 2. The results are presented in Tables 5 and 6.

The results are qualitatively similar to those presented in Tables 2 and 3, although we no longer find that CRIGHTS is negatively associated with the desire for high coverage levels. Table 5 shows that SMLBNK, LEGAL, SCHOOL, and CRIGHTS are negatively related to the probability of the adoption of explicit deposit insurance, while POP65 is positively associated with the desire for deposit insurance, and Table 6 shows that INFL and GDPCAP are negatively related to the level of deposit insurance coverage.

Another potential concern is that countries adopt deposit insurance during episodes of financial stability, when there is a loss of public confidence in the banking system, and that it is the loss in public confidence that causes a political shift towards more support for deposit insurance rather than the political forces themselves. After all, the political lobby already existed before the loss in public confidence. Hence, the political lobby is only a channel through which change occurs, but the crisis is the driving force behind this change. Indeed, the U.S. experience of the 1930s has shown that policymakers can become more favorable to the adoption of deposit insurance in the wake of a financial crisis.

However, the reality shows that this is of limited concern. Using data on the timing of banking crises from Caprio and Klingebiel (2002), we find that, within our sample of 72 countries with deposit insurance, 26 countries (or 36%) adopted deposit insurance within 3 years following a banking crisis. On the other hand, in several countries a banking crisis followed rather than preceded the adoption of deposit insurance, consistent with the work by Detragiache and Demirguc-Kunt (2002) who find that the introduction of deposit insurance increases financial instability. For example, in 8 countries (or 10%) a banking crisis occurred within 3 years following the adoption of

deposit insurance. Moreover, many countries that do not have deposit insurance also experienced banking crises in the past. Unfortunately, we cannot control in the regressions for the occurrence of a banking crisis, because we operate in a cross-sectional framework without a time-series dimension. However, since the majority of countries did not adopt deposit insurance during periods of severe financial instability – as indicated by a banking crisis – and since many countries that experienced banking crises do not have deposit insurance, we believe this is a minor concern. Importantly, even if it is true that political change is more likely during episodes of financial instability, our results would still be valid and indicate the channels through which this change occurs.

5. Conclusions

We use a political economy framework to improve our understanding of why certain countries adopt countries and others do not. Overall, we find mixed evidence of the significance of the public and private interest theories in explaining adoption and coverage of deposit insurance. While the negative relationship between SMLBNK and DI is consistent with the public interest view, the negative relationship between CRIGHTS and DI is consistent with the private interest view. Also, the result that INFL and GDPCAP are negatively related to COVGDP provides support for the private interest view. Hence, the results suggests that both public and private interest theories are important in understanding cross-country differences in the support for explicit deposit insurance.

This conclusion is somewhat different from Kroszner and Strahan (2001), who study the U.S. banking system and find support mainly for the private interest view. The difference could be due to the fact that we study many different countries, while they

study different states within one country, namely the United States. The level of economic development – as well as financial stability and contracting environments – is high across all the U.S. states, while it differs significantly across our sample of countries. In countries with poor contracting environments, most banks are risky, and it may be in the public interest to adopt deposit insurance to enhance financial stability, which may give rise to a more significant role for the public interest view in explaining the desire for deposit insurance when comparing developed and developing countries. Although it is not always straightforward to distinguish between the public and private interest views, because these approaches are not mutually exclusive, they do emphasize different aspects of the interaction between economics and politics. Each captures an important element in the process that determines the support for deposit insurance across countries.

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Table 1: Sample Statistics and Mean Tests of the Main Variables

This table reports means and mean test statistics for (sub-samples of) the main variables. The statistics are based on either the full sample or on sub-samples that are broken down on the basis of either GDP per capita, the existence of explicit deposit insurance, and coverage level. Panel A uses the median level of GDP per capita in the sample to split the sample in two equal groupings and reports sample means of each variable for each group of countries; Panel B reports sample means when splitting the sample on the basis of whether the country does or does not have explicit deposit insurance; and Panel C reports sample means when splitting the sample on the basis of the sample median coverage ratio, COVGDP. DI is a dummy variable that takes value of one if the country has explicit deposit insurance at year-end 2000, and zero otherwise. COVGDP is the ratio of coverage limit per deposit to GDP per capita at year-end 2000. COALITION is the average for the years 1975-97 of a dummy variable that takes value of one if the government of the country is a coalition government, and zero otherwise. LEFTGOV is the average for the years 1975-97 of a dummy variable that takes value of one if the largest government party has a left-wing orientation, and zero otherwise. SMLBNK is the percentage of banking assets in the country in small banks, where banks are defined as small if they have assets below the median size in each country. CAPITAL is the median capital-asset ratio for all banks operating in a country, expressed in percentage of assets. RESTRICT is a dummy variable that takes value of one if the country permits banks to sell insurance, and zero otherwise. POP65 is the share of the total population in the country with age 65 and above. SMEOFF is the share of SMEs in the country. GOVTOWN is the percentage of banking system's assets in banks that are 50 percent or more government owned. FOREIGN is the percentage of banking system's assets in banks that are 50 percent or more foreign owned. LEGAL is a dummy variable that takes value one if the origin of the law of the country is English. CRIGHTS is a measure of the degree of protection of creditor rights. SCHOOL is the gross secondary school enrollment in the country, expressed in percentages. INFL is the average rate of inflation over the period 1995-99, where inflation is calculated as the change in the CPI index of the country. GDPCAP is average per capita income over the period 1995-1999 in 1995 US dollars. A more detailed definition of the variables and the sources of the data can be found in the main text of the paper. The sample statistics for all of the variables are reported in Table 1. *, **, and *** indicate statistical significance at 10%, 5%, respectively 1%.

Panel A: Sample split by median of GDPCAP

Variable	Number of observations	Below median of GDP per capita	Above median of GDP per capita	Sample average	Test of means (t-statistic)
DI	112	0.55	0.73	0.64	**-1.99
COVGDP	65	3.18	2.17	2.60	*1.90
COALITION	110	0.06	0.34	0.20	***-4.68
LEFTGOV	106	0.48	0.35	0.41	*1.69
SMLBNK	109	13.99	7.81	10.81	***4.50
CAPITAL	112	13.53	8.87	11.20	***3.20
RESTRICT	101	0.67	0.31	0.49	***3.91
POP65	105	6.10	10.62	8.38	***-5.41
LEGAL	112	0.34	0.36	0.35	-0.20
SCHOOL	105	58.67	95.06	77.04	***-7.64
SMEOFF	70	38.85	62.94	53.31	***-4.72
GOVTOWN	92	32.75	13.42	22.66	***3.89
FOREIGN	86	27.64	26.41	27.03	0.21
CRIGHTS	68	3.00	2.33	2.60	**2.14
INFL	112	34.45	6.60	20.53	***3.33
GDPCAP	112	1082.19	17135.37	9108.78	***-8.89

Panel B: Sample split by DI

Variable	Number of observations	No explicit deposit insurance; DI=0	Explicit deposit insurance; DI=1	Sample average	Test of means (t-statistic)
DI	112	0	1	0.64	n.a.
COVGDP	65	n.a.	2.60	2.60	n.a.
COALITION	110	0.15	0.23	0.20	-1.28
LEFTGOV	106	0.38	0.43	0.41	-0.64
SMLBANK	109	14.62	8.69	10.81	***3.61
CAPITAL	112	12.92	10.24	11.20	1.40
RESTRICT	101	0.59	0.42	0.49	*1.68
POP65	105	5.81	9.91	8.38	***-5.02
LEGAL	112	0.55	0.24	0.35	***3.33
SCHOOL	105	63.48	85.05	77.04	***-3.65
SMEOFF	70	44.80	55.82	53.31	-1.53
GOVTOWN	92	20.51	23.93	22.66	-0.64
FOREIGN	86	34.22	22.32	27.03	**2.03
CRIGHTS	68	3.33	2.34	2.60	***3.61
INFL	112	13.75	24.29	20.53	-1.48
GDPCAP	112	4958.09	11414.72	9108.78	***-3.18

Panel C: Sample split by median of COVGDP

Variable	Number of observations	Below median of COVGDP	Above median of COVGDP	Sample average	Test of means (t-statistic)
DI	65	1	1	1	n.a.
COVGDP	65	1.12	4.23	2.60	***-8.46
COALITION	64	0.37	0.11	0.24	***2.93
LEFTGOV	62	0.46	0.42	0.44	0.37
SMLBNK	64	7.97	10.32	9.07	-1.59
CAPITAL	65	9.28	11.67	10.42	*-1.92
RESTRICT	58	0.31	0.50	0.40	-1.44
POP65	59	11.73	8.50	10.30	**2.59
LEGAL	65	0.26	0.26	0.26	0.06
SCHOOL	59	94.70	75.31	86.16	***2.81
SMEOFF	40	50.66	59.59	54.38	-1.65
GOVTOWN	52	21.11	24.42	22.57	-0.49
FOREIGN	46	20.65	24.23	22.36	-0.47
CRIGHTS	44	2.71	1.90	2.34	**2.02
INFL	65	20.69	17.74	19.29	0.27
GDPCAP	65	15675.72	7353.28	11706.55	**2.55

Table 2: Probit model of existence of deposit insurance

Dependent variable is DI, which is a dummy variable that takes value of one if the country has explicit deposit insurance at year-end 2000, and zero otherwise. The regressions are based on a Probit model. The table reports the marginal effect of a small change in each variable from its mean on the probability that the country has adopted deposit insurance. For dummy variables, the coefficient represents the change in the probability for a one unit change in the indicator. COALITION is the average for the years 1975-97 of a dummy variable that takes value of one if the government of the country is a coalition government. LEFTGOV is the average for the years 1975-97 of a dummy variable that takes value of one if the largest government party has a left-wing orientation. SMLBNK is the percentage of banking assets in the country in small banks. CAPITAL is the median capital-asset ratio for all banks operating in a country. RESTRICT is a dummy variable that takes value of one if the country permits banks to sell insurance. POP65 is the share of the total population in the country with age 65 and above. SMEOFF is the share of SMEs in the country. GOVTOWN is the percentage of banking system's assets in banks that are 50 percent or more government owned. FOREIGN is the percentage of banking system's assets in banks that are 50 percent or more foreign owned. LEGAL is a dummy variable that takes value one if the origin of the law of the country is English. CRIGHTS is a measure of the degree of protection of creditor rights. SCHOOL is the gross secondary school enrollment in the country. LINFL is the logarithm of 1 plus the average rate of inflation over the period 1995-99. LGDPCAP is the logarithm of the average per capita income over the period 1995-99 in 1995 US dollars. A more detailed definition of the variables and the sources of the data can be found in the main text of the paper. Robust standard errors are reported between parentheses. A constant term was included, but is not reported. *, **, and *** indicate statistical significance at 10%, 5%, respectively 1%.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
COALITION	-0.251	-0.213	-0.218	-0.216	-0.025	-0.322	-0.037	-0.217
	(0.191)	(0.194)	(0.184)	(0.215)	(0.155)	(0.226)	(0.168)	(0.206)
LEFTGOV	0.066	0.046	0.106	0.086	-0.049	0.204	-0.010	0.144
	(0.132)	(0.136)	(0.152)	(0.133)	(0.158)	(0.160)	(0.118)	(0.152)
SMLBNK	-0.020**	-0.021**	-0.022***	-0.025***	-0.019*	-0.019**	-0.027***	-0.025***
	(0.008)	(0.008)	(0.008)	(0.008)	(0.009)	(0.009)	(0.010)	(0.008)
CAPITAL	-0.014	-0.019	-0.027*	-0.019	-0.038***	-0.019	-0.024**	-0.027*
	(0.012)	(0.015)	(0.015)	(0.014)	(0.012)	(0.017)	(0.010)	(0.015)
RESTRICT	-0.133	-0.172	-0.162	-0.244*	-0.027	-0.166	-0.090	-0.232*
	(0.122)	(0.131)	(0.132)	(0.131)	(0.123)	(0.151)	(0.112)	(0.137)
POP65	0.043***	0.050***	0.038**	0.074***	0.040***	0.038**	0.059***	0.062***
	(0.015)	(0.017)	(0.015)	(0.020)	(0.015)	(0.017)	(0.020)	(0.019)
LINFL		0.035	0.018	0.041	0.030	0.055	-0.083	0.028
		(0.067)	(0.072)	(0.068)	(0.051)	(0.075)	(0.059)	(0.073)
LGDPCAP		-0.039	-0.025	0.049	-0.131**	0.029	-0.250**	0.063
		(0.063)	(0.064)	(0.078)	(0.064)	(0.071)	(0.100)	(0.072)
LEGAL			-0.354***					-0.340**
			(0.135)					(0.135)
SCHOOL				-0.009**				-0.009**
				(0.004)				(0.004)
SMEOFF					0.002			
					(0.003)			
GOVTOWN						0.002		
						(0.003)		
FOREIGN						-0.003		
						(0.002)		
CRIGHTS							-0.127***	
							(0.041)	
Pseudo-R2	0.263	0.271	0.331	0.315	0.311	0.299	0.413	0.370
Observations	91	91	91	91	59	77	59	91

Table 3: Heckman model of deposit insurance coverage

Dependent variable is COVGDP, which is the ratio of coverage limit per deposit to per capita GDP at year-end 2000. Regressions are estimated using a Heckman model, where the dependent variable of the first-stage selection model is DI, which is a dummy variable that takes value of one if the country has adopted explicit deposit insurance. The independent variables in the selection model are identical to those in the second-stage regression. We only report the second-stage results. The sample selection bias is summarized in the inverse mills ratio LAMBDA. COALITION is the average for the years 1975-97 of a dummy variable that takes value of one if the government of the country is a coalition government. LEFTGOV is the average for the years 1975-97 of a dummy variable that takes value of one if the largest government party has a left-wing orientation. SMLBNK is the percentage of banking assets in the country in small banks. CAPITAL is the median capital-asset ratio for all banks operating in a country. RESTRICT is a dummy variable that takes value of one if the country permits banks to sell insurance. POP65 is the share of the total population in the country with age 65 and above. SMEOFF is the share of SMEs in the country. GOVTOWN is the percentage of banking system's assets in banks that are 50 percent or more government owned. FOREIGN is the percentage of banking system's assets in banks that are 50 percent or more foreign owned. LEGAL is a dummy variable that takes value one if the origin of the law of the country is English. CRIGHTS is a measure of the degree of protection of creditor rights. SCHOOL is the gross secondary school enrollment in the country. LINFL is the logarithm of 1 plus the average inflation rate over the period 1995-99. LGDPCAP is the logarithm of the average per capita income over the period 1995-99 in 1995 US dollars. We refer to section 3 for a description of the sources of the data. A constant term was included, but is not reported. *, **, and *** indicate statistical significance at 10%, 5%, respectively 1%.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
COALITION	-1.537	-0.718	-0.566	-0.863	-0.274	-0.033	-0.577
	(2.486)	(0.936)	(0.926)	(0.976)	(2.197)	(1.617)	(0.727)
LEFTGOV	0.564	0.132	-0.074	0.232	-0.007	-0.305	-0.052
	(1.799)	(0.721)	(0.707)	(0.774)	(2.402)	(1.133)	(0.663)
SMLBNK	-0.109	-0.027	0.021	-0.052	-0.007	0.071	0.010
	(0.191)	(0.101)	(0.081)	(0.094)	(0.248)	(0.109)	(0.090)
CAPITAL	-0.046	-0.004	0.032	-0.021	-0.090	0.062	0.004
	(0.156)	(0.088)	(0.088)	(0.085)	(0.431)	(0.109)	(0.065)
RESTRICT	-0.765	-0.454	0.092	-0.757	-0.246	-0.129	0.116
	(1.642)	(0.845)	(0.679)	(0.959)	(1.641)	(1.057)	(0.550)
POP65	0.095	0.052	-0.077	0.160	0.208	-0.047	-0.006
	(0.383)	(0.202)	(0.128)	(0.245)	(0.557)	(0.199)	(0.157)
LINFL		-0.618*	-0.785**	-0.549	-0.456	-0.821*	-0.436
		(0.335)	(0.314)	(0.359)	(1.047)	(0.442)	(0.363)
LGDPCAP		-0.716*	-0.645**	-0.483	-1.299	-0.806*	-0.637
		(0.377)	(0.311)	(0.376)	(1.861)	(0.446)	(0.658)
LEGAL			-0.442				
			(1.053)				
SCHOOL				-0.029			
				(0.028)			
SMEOFF					0.043		
					(0.050)		
GOVTOWN						-0.002	
						(0.019)	
FOREIGN						0.002	
						(0.016)	
CRIGHTS							-0.529*
							(0.283)
LAMBDA	4.532	1.302	-0.816	1.899	4.289	-1.331	-0.292
	(6.311)	(2.941)	(2.293)	(2.713)	(7.086)	(3.662)	(1.498)
Observations	86	86	86	86	54	72	54
Censored	34	34	34	34	13	31	13
Uncensored	52	52	52	52	41	41	41

Table 4: Tobit model of duration of deposit insurance

Dependent variable is FRACTION, which is the fraction of the period 1934-2000 that the country has explicit deposit insurance. The variable takes values between 0 and 1, with the United States being the only country for which the variable takes value of one. For countries that had not adopted explicit deposit insurance as of end-year 2000, the variable takes value of zero. The regressions are based on a Tobit model and controls for the fact that the distribution is left-censored at zero. COALITION is the average for the years 1975-97 of a dummy variable that takes value of one if the government of the country is a coalition government. LEFTGOV is the average for the years 1975-97 of a dummy variable that takes value of one if the largest government party has a left-wing orientation. SMLBNK is the percentage of banking assets in the country in small banks. CAPITAL is the median capital-asset ratio for all banks operating in a country. RESTRICT is a dummy variable that takes value of one if the country permits banks to sell insurance. POP65 is the share of the total population in the country with age 65 and above. SMEOFF is the share of SMEs in the country. GOVTOWN is the percentage of banking system's assets in banks that are 50 percent or more government owned. FOREIGN is the percentage of banking system's assets in banks that are 50 percent or more foreign owned. LEGAL is a dummy variable that takes value one if the origin of the law of the country is English. CRIGHTS is a measure of the degree of protection of creditor rights. SCHOOL is the gross secondary school enrollment in the country. LINFL is the logarithm of 1 plus the average rate of inflation over the period 1995-99. LGDPCAP is the logarithm of the average per capita income over the period 1995-99 in 1995 US dollars. A more detailed definition of the variables and the sources of the data can be found in the main text of the paper. Robust standard errors are reported between parentheses. A constant term was included, but is not reported. *, **, and *** indicate statistical significance at 10%, 5%, respectively 1%.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
COALITION	-0.045	-0.065	-0.076	-0.068	-0.061	-0.068	-0.030	-0.078
	(0.083)	(0.084)	(0.085)	(0.084)	(0.086)	(0.102)	(0.087)	(0.084)
LEFTGOV	-0.007	0.008	0.016	0.017	-0.070	0.057	-0.014	0.023
	(0.069)	(0.070)	(0.071)	(0.070)	(0.083)	(0.084)	(0.078)	(0.070)
SMLBNK	-0.015***	-0.014***	-0.014***	-0.015***	-0.018***	-0.014***	-0.018***	-0.015***
	(0.004)	(0.004)	(0.004)	(0.004)	(0.006)	(0.005)	(0.006)	(0.004)
CAPITAL	-0.011**	-0.009	-0.011*	-0.009	-0.017*	-0.007	-0.015**	-0.011*
	(0.005)	(0.006)	(0.006)	(0.006)	(0.009)	(0.006)	(0.006)	(0.006)
RESTRICT	-0.031	-0.015	-0.010	-0.029	0.046	0.008	0.038	-0.023
	(0.055)	(0.057)	(0.057)	(0.057)	(0.062)	(0.066)	(0.059)	(0.058)
POP65	0.008	0.004	0.001	0.010	-0.001	-0.002	0.012	0.007
	(0.007)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.010)
LINFL		-0.008	-0.013	-0.007	-0.013	-0.002	-0.064*	-0.011
		(0.030)	(0.030)	(0.030)	(0.034)	(0.035)	(0.033)	(0.030)
LGDPCAP		0.023	0.025	0.047	0.024	0.047	-0.090**	0.047
		(0.032)	(0.032)	(0.036)	(0.038)	(0.040)	(0.044)	(0.036)
LEGAL			-0.075					-0.065
			(0.060)					(0.060)
SCHOOL				-0.003				-0.002
				(0.002)				(0.002)
SMEOFF					-0.001			
					(0.002)			
GOVTOWN						0.001		
						(0.001)		
FOREIGN						-0.002*		
						(0.001)		
CRIGHTS							-0.076***	
							(0.024)	
Observations	91	91	91	91	59	77	59	91
Left-censored	34	34	34	34	13	31	34	34
Uncensored	57	57	57	57	46	46	57	57

Table 5: Probit model of existence of deposit insurance: excluding recent adopters

Dependent variable is DI, which is a dummy variable that takes value of one if the country has explicit deposit insurance at year-end 2000, and zero otherwise. The regressions are based on a Probit model. The table reports the marginal effect of a small change in each variable from its mean on the probability that the country has adopted deposit insurance. For dummy variables, the coefficient represents the change in the probability for a one unit change in the indicator. The sample excludes countries that adopted explicit deposit insurance between 1998-2000. COALITION is the average for the years 1975-97 of a dummy variable that takes value of one if the government of the country is a coalition government. LEFTGOV is the average for the years 1975-97 of a dummy variable that takes value of one if the largest government party has a left-wing orientation. SMLBNK is the percentage of banking assets in the country in small banks. CAPITAL is the median capital-asset ratio for all banks operating in a country. RESTRICT is a dummy variable that takes value of one if the country permits banks to sell insurance. POP65 is the share of the total population in the country with age 65 and above. SMEOFF is the share of SMEs in the country. GOVTOWN is the percentage of banking system's assets in banks that are 50 percent or more government owned. FOREIGN is the percentage of banking system's assets in banks that are 50 percent or more foreign owned. LEGAL is a dummy variable that takes value one if the origin of the law of the country is English. CRIGHTS is a measure of the degree of protection of creditor rights. SCHOOL is the gross secondary school enrollment in the country. LINFL is the logarithm of 1 plus the average rate of inflation over the period 1995-99. LGDPCAP is the logarithm of the average per capita income over the period 1995-99 in 1995 US dollars. A more detailed definition of the variables and the sources of the data can be found in the main text of the paper. Robust standard errors are reported between parentheses. A constant term was included, but is not reported. *, **, and *** indicate statistical significance at 10%, 5%, respectively 1%.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
COALITION	-0.177	-0.158	-0.158	-0.146	0.109	-0.260	0.010	-0.143
	(0.205)	(0.209)	(0.199)	(0.230)	(0.176)	(0.237)	(0.211)	(0.222)
LEFTGOV	0.133	0.122	0.160	0.143	0.029	0.339*	0.012	0.182
	(0.149)	(0.155)	(0.172)	(0.155)	(0.212)	(0.185)	(0.128)	(0.175)
SMLBNK	-0.024**	-0.025**	-0.025***	-0.028***	-0.028**	-0.024**	-0.029***	-0.029***
	(0.010)	(0.010)	(0.010)	(0.010)	(0.013)	(0.011)	(0.011)	(0.010)
CAPITAL	-0.014	-0.015	-0.022	-0.015	-0.029	-0.013	-0.023**	-0.022
	(0.012)	(0.015)	(0.015)	(0.014)	(0.018)	(0.017)	(0.010)	(0.016)
RESTRICT	-0.190	-0.211	-0.203	-0.277*	-0.001	-0.263	-0.090	-0.270*
	(0.139)	(0.146)	(0.147)	(0.151)	(0.159)	(0.170)	(0.129)	(0.157)
POP65	0.042**	0.048**	0.037**	0.070***	0.045**	0.033	0.058***	0.060***
	(0.017)	(0.019)	(0.018)	(0.023)	(0.022)	(0.020)	(0.022)	(0.022)
LINFL		-0.010	-0.033	-0.012	-0.013	-0.033	-0.129	-0.033
		(0.082)	(0.086)	(0.082)	(0.070)	(0.093)	(0.082)	(0.088)
LGDPCAP		-0.033	-0.028	0.054	-0.158**	0.024	-0.262**	0.059
		(0.072)	(0.075)	(0.089)	(0.077)	(0.081)	(0.108)	(0.083)
LEGAL			-0.312**					-0.306**
			(0.147)					(0.146)
SCHOOL				-0.009*				-0.009**
				(0.005)				(0.004)
SMEOFF					0.006			
					(0.004)			
GOVTOWN						0.005		
						(0.003)		
FOREIGN						-0.002		
						(0.003)		
CRIGHTS							-0.144***	
							(0.046)	
Pseudo-R2	0.307	0.308	0.352	0.344	0.419	0.344	0.440	0.385
Observations	81	81	81	81	50	69	53	81

Table 6: Heckman model of deposit insurance coverage; excluding recent adopters

Dependent variable is COVGDP, which is the ratio of coverage limit per deposit to per capita GDP at year-end 2000. Regressions are estimated using a Heckman model, where the dependent variable of the first-stage selection model is DI, which is a dummy variable that takes value of one if the country has adopted deposit insurance. The independent variables in the selection model are identical to those in the second-stage regression. We only report the second-stage results. The sample selection bias is summarized in the inverse mills ratio LAMBDA. The sample excludes countries that adopted deposit insurance between 1998-2000. COALITION is the average for the years 1975-97 of a dummy variable that takes value of one if the government of the country is a coalition government. LEFTGOV is the average for the years 1975-97 of a dummy variable that takes value of one if the largest government party has a left-wing orientation. SMLBNK is the percentage of banking assets in the country in small banks. CAPITAL is the median capital-asset ratio for all banks operating in a country. RESTRICT is a dummy variable that takes value of one if banks are permitted to sell insurance. POP65 is the share of the population with age 65 and above. SMEOFF is the share of SMEs in the country. GOVTOWN is the percentage of banking assets in banks that are 50 percent or more government owned. FOREIGN is the percentage of banking assets in banks that are 50 percent or more foreign owned. LEGAL is a dummy variable that takes value one if the origin of the law of the country is English. CRIGHTS is a measure of protection of creditor rights. SCHOOL is the gross secondary school enrollment in the country. LINFL is the logarithm of 1 plus the average inflation rate over the period 1995-99. LGDPCAP is the logarithm of the average per capita income over the period 1995-99 in 1995 US dollars. We refer to section 3 for a description of the sources of the data. A constant term was included, but is not reported. *, **, and *** indicate statistical significance at 10%, 5%, respectively 1%.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
COALITION	-1.212	-0.662	-0.549	-0.893	0.067	-0.134	-0.452
	(1.588)	(0.824)	(0.952)	(0.967)	(4.110)	(2.193)	(0.787)
LEFTGOV	0.275	0.026	-0.301	0.265	0.458	-0.953	-0.610
	(1.489)	(0.820)	(0.882)	(0.982)	(5.015)	(2.243)	(0.807)
SMLBNK	-0.095	-0.019	0.031	-0.073	-0.100	0.068	0.098
	(0.170)	(0.108)	(0.096)	(0.114)	(0.480)	(0.160)	(0.113)
CAPITAL	-0.031	0.018	0.041	-0.011	0.026	0.042	0.018
	(0.115)	(0.068)	(0.078)	(0.075)	(0.537)	(0.114)	(0.062)
RESTRICT	-0.557	-0.194	0.327	-0.666	0.431	0.569	-0.121
	(1.385)	(0.817)	(0.755)	(1.026)	(3.340)	(1.751)	(0.594)
POP65	0.056	0.005	-0.107	0.154	0.493	-0.156	0.031
	(0.258)	(0.195)	(0.146)	(0.252)	(1.057)	(0.277)	(0.168)
LINFL		-0.887**	-0.989**	-0.893**	-1.608	-0.792	-0.154
		(0.369)	(0.397)	(0.424)	(2.828)	(0.784)	(0.628)
LGDPCAP		-0.681*	-0.704**	-0.520	-1.944	-0.730	-0.532
		(0.360)	(0.346)	(0.420)	(3.247)	(0.651)	(0.727)
LEGAL			-0.305				
			(0.996)				
SCHOOL				-0.026			
				(0.028)			
SMEOFF					0.067		
					(0.123)		
GOVTOWN						-0.011	
						(0.041)	
FOREIGN						0.018	
						(0.025)	
CRIGHTS							-0.464
							(0.303)
LAMBDA	3.163	0.455	-1.559	1.951	7.375	-2.890	-0.675
	(4.392)	(2.787)	(2.400)	(2.861)	(11.828)	(4.676)	(1.573)
Observations	77	77	77	77	46	65	49
Censored	34	34	34	34	13	31	15
Uncensored	43	43	43	43	33	34	34

Annex 1: The Data

DI is a dummy variable that takes value of one if the country has explicit deposit insurance at year-end 2000, and zero otherwise. COVGDP is the ratio of coverage limit per deposit to GDP per capita at year-end 2000. AGE is 2000 minus the year of inception of explicit deposit insurance. COVGDP and AGE are missing for countries without explicit deposit insurance at year-end 2000. COALITION is the average for the years 1975-97 of a dummy variable that takes value of one if the government of the country is a coalition government, and zero otherwise. LEFTGOV is the average for the years 1975-97 of a dummy variable that takes value of one if the largest government party has a left-wing orientation, and zero otherwise. SMLBNK is the percentage of banking assets in the country in small banks, where banks are defined as small if they have assets below the median size in each country. CAPITAL is the median capital-asset ratio for all banks operating in a country, expressed in percentage of assets. RESTRICT is a dummy variable that takes value of one if the country permits banks to sell insurance, and zero otherwise. POP65 is the share of the total population in the country with age 65 and above. SMEOFF is the share of SMEs in the country. GOVTOWN is the percentage of banking system's assets in banks that are 50 percent or more government owned. FOREIGN is the percentage of banking system's assets in banks that are 50 percent or more foreign owned. LEGAL is a dummy variable that takes value one if the origin of the law of the country is English. CRIGHTS is a measure of the degree of protection of creditor rights. SCHOOL is the gross secondary school enrollment in the country, expressed in percentages. INFL is the rate of inflation, which is calculated as the change in the CPI index of the country. GDPCAP is per capita income in 1995 US dollars. Section 3 gives a description of the sources of the data.

Panel A:

Country	DI	COVGDP	AGE	COALITION	LEFTGOV	SMLBNK	CAPITAL	RESTRICT	POP65
Albania	0			0.26	0.78	9.00	20.30	1	5.62
Argentina	1	3.9	21	0	0	5.22	11.62	0	9.55
Armenia	0			0	0	33.48	10.33	1	8.14
Australia	0			0.41	0.64	4.67	6.49	0	12.07
Austria	1	0.9	21	0.61	1	3.35	5.84	0	15.35
Azerbaijan	0			0	0	3.59	28.24	1	6.16
Bahamas	1	3.1	1	0	0	8.92	10.25		
Bahrain	1	3.5	7	0		4.84	11.92	1	2.72
Bangladesh	1	5.6	16	0.04	0.43	9.89	4.05	1	3.06
Belarus	1	1.9	1	0	0.6	13.88	11.15	1	12.84
Belgium	1	1.0	26	1	0	0.79	6.33	0	16.45
Bhutan	0			0		14.96	7.61	1	4.14
Bolivia	0			0	0.19	17.51	8.34	0	3.92
Bosnia and Herz.	1	2.2	2			17.35	16.26	0	8.79
Botswana	0			0	0	18.80	9.31	1	2.63
Brazil	1	3.1	26	0	0.13	2.75	13.88	0	4.93
Bulgaria	1	2.2	2	0	0.87	8.87	17.32	1	15.48
Burundi	0			0	0	25.78	13.16	1	2.90
Cambodia	0			0.17	0.79	18.40	75.89	1	2.76
Canada	1	1.8	33	0	0.57	6.65	7.53	0	12.26
Chile	1		14	0	0	3.10	12.99	0	6.88
China	0			0	1	3.88	8.76	1	6.47
Colombia	1	3.8	15	0	0	13.93	13.14		4.61
Costa Rica	0			0	0.65	7.32	13.48		
Croatia	1	2.8	3	0	0	7.20	17.75	0	13.36
Cyprus	1	1.6	3	0	0.19	2.65	7.40	0	11.24

Country	DI	COVGDP	AGE	COALITION	LEFTGOV	SMLBNK	CAPITAL	RESTRICT	POP65
Czech Republic	1	2.4	6	0.22	0.7	7.27	6.44	0	13.53
Denmark	1	1.2	12	0.74	0.48	1.10	13.01	0	15.11
Dominican Rep.	1	5.3	38	0	0.35	14.96	10.70		
Ecuador	1		2	0	0.33	9.28	12.00		4.53
Egypt, Arab Rep.	0			0	0	8.28	8.24	1	4.04
El Salvador	1	3.0	9	0	0	16.86	7.70	1	
Estonia	1	0.3	2	0	0	9.06	10.53	0	13.82
Finland	1	1.0	31	1	0.74	6.45	5.09	1	14.57
France	1	3.1	20	1	0.43	1.93	6.12	0	15.54
Gambia, The	0			0	1	13.53	11.96	1	3.02
Georgia	0			0	0	26.78	26.14	0	12.06
Germany	1	0.9	34	1	0.35	4.48	4.66	0	15.91
Ghana	0			0	0	4.56	12.38	1	3.14
Greece	1	1.7	7	0.13	0.57	5.19	7.63	1	16.56
Guatemala	1	1.5	1	0	0	20.45	8.27	1	3.46
Guyana	0			0	1	28.71	11.16	1	4.90
Honduras	1	7.7	1	0	0	21.33	11.90	0	3.21
Hong Kong, China	0					3.38	12.84		10.04
Hungary	1	0.8	7	0.3	0.83	10.85	9.86	0	14.21
Iceland	1	0.7	15	1	0.04	13.23	7.03	0	11.48
India	1	4.9	39	0.3	1	8.64	5.01	1	4.77
Indonesia	1		2	0	0	5.31	9.43	1	4.52
Ireland	1	0.9	11	0.74	0	9.45	6.69	1	11.39
Israel	0			0.91	0.3	3.13	6.37	1	9.84
Italy	1	6.0	13	0.74	0	1.51	10.18	0	17.32
Jamaica	1	1.6	2	0	0.61	6.88	8.58	1	7.30
Japan	1		29	0.26	0.04	2.25	4.20	1	15.83
Jordan	0			0	0	5.34	8.79	1	2.65
Kazakhstan	1	1.1	1	0	0.6	8.78	16.89	0	6.87
Kenya	1	3.8	15	0	0	9.77	13.61	1	2.74
Korea, Rep.	1	1.8	4	0	0	13.94	4.30	0	6.38
Kuwait	0			0	0	31.18	11.58	0	1.74
Kyrgyz Republic	0			0		23.13	15.95	0	5.92
Latvia	1	0.6	2	0.67	0	16.51	11.71	0	14.08
Lebanon	1	0.9	33	0	0	7.72	7.97	1	5.80
Lesotho	0			0.43	0.17		7.69	1	4.05
Lithuania	1	3.5	4	0	1	6.88	13.42	0	13.15
Luxembourg	1	0.5	11	1	0.22	5.56	3.91	0	14.21
Macedonia, FYR	1	3.4	4	0	1	10.85	34.47	1	9.32
Malawi	0			0	0	12.98	11.47	1	2.84
Malaysia	0			0.48	0	12.21	8.53	0	4.01
Malta	0			0	0.61	7.22	6.11	1	11.90
Mauritius	0			1	1	5.69	9.67	1	6.07
Mexico	1		14	0	1	2.20	12.16	1	4.50
Moldova	0			0	1	20.79	22.09	0	9.16
Morocco	1	4.1	7	0	0.35	27.29	9.87	1	4.08

Country	DI	COVGDP	AGE	COALITION	LEFTGOV	SMLBNK	CAPITAL	RESTRICT	POP65
Namibia	0			0	1	28.50	7.73	0	3.68
Nepal	0			0.57	1	20.41	6.77	1	3.68
Netherlands	1	0.9	21	1	0.26	1.34	6.12	0	13.46
New Zealand	0			0.13	0.3	16.85	4.81	0	11.55
Nigeria	1	1.5	12	0	0	10.57	10.48	0	3.01
Norway	1	7.6	39	0.83	0.74	5.16	7.51		15.67
Oman	1	8.8	5	0		20.77	12.79	1	2.47
Pakistan	0			0.17	0.6	7.59	6.76		3.62
Panama	0			0	0	18.70	8.66	0	5.39
Peru	1	9.1	8	0	0.33	15.11	9.88	0	4.59
Philippines	1	2.5	37	0	0	8.92	13.96	0	3.38
Poland	1	2.9	5	0	0.96	5.59	11.55	1	11.60
Portugal	1	2.1	8	0.09	0.81	5.47	6.15	0	15.09
Romania	1	1.2	4	0.22	0.7	5.92	18.35	1	12.65
Russian Federation	0			0	0.81	4.99	18.01	1	12.22
Rwanda	0			0	0	15.18	6.60	1	2.44
Saudi Arabia	0			0	0	25.22	9.60	0	2.86
Singapore	0			0	0	5.41	12.42	0	6.67
Slovak Republic	1	1.9	4	1	1	12.79	7.66	1	11.13
Slovenia	0			0.83	0	12.06	12.25	0	13.11
South Africa	0			0	0.13	1.87	12.21	0	3.41
Spain	1	1.5	23	0.04	0.7	2.89	7.30	0	16.10
Sri Lanka	1	1.6	13	0.13	1	11.14	7.48	0	6.03
Sweden	1	1.1	4	0.7	0.61	3.23	4.24	0	17.45
Switzerland	1	0.6	16	1	0.43	0.88	9.37	0	15.47
Taiwan, China	1	2.3	15	0	0	15.63	8.27	1	
Tajikistan	1	3.4		0	1		17.91	0	4.41
Tanzania	1	1.1	6	0	1	7.51	15.21		
Thailand	0			0.52	0	21.10	5.37	0	4.84
Trinidad and Tobago	1	1.3	14	0.09	0.3	20.37	8.76	0	6.51
Turkey	1		17	0.48	0.09	5.71	8.32	0	5.40
Turkmenistan	1			0	1		1.01	1	4.21
Uganda	1	6.7	6	0	0.28	16.69	8.11		
Ukraine	1	0.2	2	0	0.5	9.44	23.46		13.69
United Kingdom	1	1.3	18	0.04	0.22	0.89	8.54	0	15.75
United States	1	2.9	66	0	0.39	3.80	8.47	1	12.38
Venezuela, RB	1	1.2	15	0	1	11.44	12.03	0	4.25
Vietnam	1	5.3	1	0	1	6.22	11.65	1	5.16
Yugoslavia, Fed.	1	0.1	6	0	1	5.71	12.15	1	12.20
Zambia	0			0	1	28.02	12.87	1	2.88
Average	0.64	2.6	13.3	0.20	0.41	10.81	11.20	0.49	8.38

Panel B:

Country	SMEOFF	GOVTOWN	FOREIGN	LEGAL	CRIGHTS	SCHOOL	INFL	GDPCAP
Albania	9.49	61.40	38.60	0	3	50.49	12.46	899.43
Argentina	70.18	30.00	49.00	0	1	83.06	0.48	7934.84
Armenia		2.50	42.30	0	3	84.91	36.18	975.86
Australia	50.60	0.00	17.10	1	1	149.98	2.38	23837.71
Austria	66.10	4.10	5.10	0	3	100.24	1.54	32762.96
Azerbaijan	5.34	4.40	16.30	0	4	79.10	71.26	422.47
Bahamas				1			1.36	13927.80
Bahrain		3.70	28.04	1		96.26	0.39	10185.02
Bangladesh		69.86	6.43	1		35.74	5.78	373.19
Belarus	4.59	67.30	2.80	0	2	90.00	226.86	1430.33
Belgium	69.25			0	2	145.27	1.63	30830.09
Bhutan		60.00	20.00	1		9.45	8.43	532.21
Bolivia		0.00	42.30	0		52.52	6.96	955.51
Bosnia and Herz.		30.00	35.00	0	4	68.41	2.86	1525.83
Botswana		2.39	97.61	1		71.69	8.72	4173.43
Brazil	59.80	51.50	16.70	0	1	69.69	17.30	4624.40
Bulgaria	50.01	17.60	73.30	0	3	84.86	212.27	1503.22
Burundi		63.00	0.00	0		6.78	19.50	139.01
Cambodia		16.00	71.00	0		22.70	5.39	296.53
Canada	58.58	0.00		1	1	105.53	1.80	22541.43
Chile	86.50	11.70	32.00	0	2	79.28	5.67	5354.22
China				0		63.64	4.34	824.04
Colombia	67.20			0	0	67.05	16.85	2284.82
Costa Rica	54.30			0			14.44	3927.05
Croatia	62.00	36.99	6.67	0	4	82.83	4.59	5145.64
Cyprus		3.30	10.90	1		83.28	2.87	14063.08
Czech Republic	64.25	19.00	26.00	0	3	88.47	7.20	5311.00
Denmark	78.40	0.00		0	3	124.77	2.28	38521.48
Dominican Republ				0			7.54	2055.93
Ecuador	55.00			0	4	54.46	43.72	1425.06
Egypt, Arab Rep.		66.60	4.20	0	4	79.05	6.25	1225.80
El Salvador	52.00	7.00	12.50	0			4.94	1751.04
Estonia	65.33	0.00	85.00	0	4	105.21	12.99	4431.33
Finland	59.15	21.90	7.80	0	1	119.29	1.45	32023.73
France	62.67			0	0	110.43	1.32	29810.73
Gambia, The		0.00	76.41	1		27.16	2.77	370.48
Georgia	7.32	0.00	29.10	0	3	75.85	39.33	502.36
Germany	70.36	42.00	4.20	0	3	100.72	1.42	32623.28
Ghana	51.61	37.90	54.30	1		34.41	31.02	413.25
Greece	74.00	13.00	5.00	0	1	95.34	5.54	13104.77
Guatemala	32.30	7.61	4.93	0		27.56	7.75	1562.23
Guyana		19.00	16.00	1		76.60	6.86	934.49
Honduras	27.60	1.10	1.60	0		32.06	18.31	711.00
Hong Kong, China	61.50			1	4	72.46	2.72	24218.04
Hungary	45.90	2.50	62.00	0	4	97.67	17.34	5325.86

Country	SMEOFF	GOVTOWN	FOREIGN	LEGAL	CRIGHTS	SCHOOL	INFL	GDPCAP
Iceland	49.60	64.00	0.00	0		108.94	2.63	31304.17
India		80.00	0.00	1	4	49.03	8.05	459.37
Indonesia	79.20	44.00	7.00	0	4	54.03	17.66	994.38
Ireland	72.10			1	1	116.41	2.55	27740.63
Israel				1	4	89.19	7.01	17067.18
Italy	73.00	17.00	5.00	0	2	93.52	2.90	20885.21
Jamaica		56.00	44.00	1		74.91	13.12	2115.44
Japan	74.13	1.15	5.90	0	2	103.18	0.23	44830.42
Jordan		0.00	68.00	0		71.80	2.71	1619.15
Kazakhstan	12.92	1.10	13.00	0	3	86.93	43.57	1515.13
Kenya	33.31			1	4	26.06	6.35	328.20
Korea, Rep.	78.88	29.70	0.00	0	3	100.57	4.08	13124.23
Kuwait		0.00	0.00	0		60.00	1.98	13545.81
Kyrgyz Republic	63.22	14.40	24.80	0	3	80.19	24.09	398.84
Latvia	20.63			0	4	85.91	10.12	2603.32
Lebanon		0.00	27.20	0		82.28	5.28	2890.65
Lesotho		51.00	49.00	1		30.64	8.24	548.49
Lithuania		44.00	48.00	0	3	88.63	13.33	2166.67
Luxembourg	70.90	5.03	94.97	0		89.35	1.63	56372.00
Macedonia, FYR		0.50	92.70	0	1	68.22	3.88	2534.90
Malawi		48.90	8.30	1		26.33	39.04	168.83
Malaysia		0.00	18.00	1	4	79.22	3.19	4796.60
Malta		0.00	48.80	1		88.60	2.75	10223.03
Mauritius		0.00	25.80	1		77.89	6.22	4106.70
Mexico	48.48	25.00	19.90	0	0	67.42	22.00	3806.29
Moldova		7.05	33.37	0	4	80.71	20.81	637.05
Morocco		23.90	18.78	0		38.76	2.58	1369.92
Namibia				1		61.01	8.33	2407.58
Nepal		20.00	35.00	1		47.31	6.74	241.30
Netherlands	58.50	5.90		0	2	129.34	2.14	30966.50
New Zealand	59.28	0.00	99.00	1	3	113.15	1.83	17547.78
Nigeria	16.72	13.00	0.00	1	4	31.17	22.36	253.60
Norway	61.50			0	2	118.17	2.33	37954.09
Oman		0.00	11.10	1		67.00	-0.43	5668.36
Pakistan				1	4	30.17	8.14	516.20
Panama	72.00	11.56	38.33	0		68.30	1.15	3280.85
Peru	67.90	2.50	40.40	0	0	74.04	7.62	2368.00
Philippines	66.00	12.12	12.79	0	0	76.91	7.28	1167.39
Poland	61.81	43.70	26.40	0	2	97.02	15.36	4223.43
Portugal	81.55	20.80	11.70	0	1	111.27	2.90	12793.70
Romania	37.17	70.00	8.00	0	4	78.82	62.73	1488.61
Russian Federation	13.03	68.00	9.00	0	2	84.60	65.67	2470.76
Rwanda		50.00	50.00	0		12.17	5.43	242.68
Saudi Arabia		0.00	0.00	1		64.06	0.57	6728.60
Singapore	44.00	0.00	50.00	1	4	73.73	1.04	28229.57
Slovak Republic	32.07	25.80	56.70	0	4	88.45	8.52	4159.92

Country	SMEOFF	GOVTOWN	FOREIGN	LEGAL	CRIGHTS	SCHOOL	INFL	GDPCAP
Slovenia	20.26	39.60	4.60	0	4	93.29	9.58	11658.62
South Africa	81.53	0.00	5.20	1	3	93.40	7.01	4020.33
Spain	74.95	0.00	11.00	0	2	114.86	2.96	17797.91
Sri Lanka		55.00		1	3	73.94	8.90	860.46
Sweden	56.50	0.00	1.80	0	2	149.38	0.81	31206.27
Switzerland	75.25	15.00	8.50	0	1	98.79	0.93	46736.72
Taiwan, China	68.60	43.00		0	2		1.80	15802.38
Tajikistan	35.91	7.40	6.20	0		77.71	163.36	385.91
Tanzania	32.10			1			15.34	190.49
Thailand	86.70	30.67	7.16	1	3	67.26	4.53	2826.30
Trinidad and Tobago		15.00	7.90	1		76.67	4.14	5323.91
Turkey	61.05	35.00	66.30	0	2	58.31	76.44	3146.94
Turkmenistan		97.10	1.07	0		113.63	329.60	1376.55
Uganda				1			5.32	347.95
Ukraine	5.38			0	4	92.79	101.25	895.99
United Kingdom	56.42	0.00		1	4	140.88	2.82	21666.93
United States	52.24	0.00	4.70	1	1	96.51	2.53	31996.12
Venezuela, RB		4.87	33.72	0		47.75	47.57	3301.14
Vietnam	74.20			0		56.45	3.71	355.64
Yugoslavia, Fed.	44.40	90.00	1.00	0		62.14	56.65	1239.76
Zambia	36.63	23.00	64.00	1		25.87	35.09	393.56
Average	53.31	22.66	27.03	0.35	2.60	77.04	20.53	9108.78